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SUBJECT: IMPACT OF NATURAL GAS CUTOFF ON CROATIA

1. (U) SUMMARY: According to a Ministry of Economy spokesperson, Croatia's natural gas supply from Russia was cut by about 75 percent on January 6 and stopped entirely on January 7. In a public statement January 7, PM Sanader said the situation was serious, but no cause for panic. He said Croatia has sufficient gas supplies for 3 weeks. The Croatian power company, HEP, has reduced its gas consumption to minimal levels, but the reduction has not affected electricity supply for households. GOC representatives have stressed that household gas supplies are not threatened. Supplies to some industrial consumers, however, have been reduced, and reductions for others are expected. End summary.

2. (SBU) According to press reports, on January 5 the natural gas supply to Croatia from Russia was reduced by 18 percent. The afternoon of January 6, delivery stopped completely but later resumed at 30,000 cubic meters per hour, which is less than 25 percent of the usual amount. A spokesperson at the Ministry of Economy told post that supply again stopped entirely on January 7 and has not resumed.

3. (U) On January 7 PM Sanader held an emergency meeting of representatives of energy companies such as HEP, INA, and Plinacro and relevant government ministries. In a statement released by the GOC following the meeting, Sanader said the situation is serious but not a cause for panic. He said even without conservation measures, Croatia has enough gas to last three weeks. (Note: Unlike some of its neighbors, Croatia has domestic gas supplies that meet about 60 percent of its usual needs.) The GOC has, however, officially declared a natural gas crisis, which allows the government to require local distributors to limit supplies to consumers. At this point, the reductions will be imposed only on industrial consumers. PM Sanader and Minister of Economy Polancec have said publicly that households are not threatened by the gas shortage.

4. (SBU) The power company, HEP, and some other large industries have already reduced their consumption to minimal levels. HEP has said the reduction will not affect electric supply to households, and no problems have been reported thus far. On January 7, the general manager of Commercial Metals Company (CMC) Sisak told the Ambassador that INA has notified them that beginning January 8, their gas supply will be cut by 70 to 80 percent. At these levels, the facility will not be able to operate, and CMC will be forced to shutdown the facility and lay off about 1000 workers. As of this afternoon CMC representatives were trying to contact the GOC to appeal, but were not able to get through presumably due to heavy activity at the relevant ministries.

5. (U) While moving to restrict gas use, the GOC also has asked INA to work to secure additional supplies, particularly from Italian ENI. With a view to the longer term, Sanader said the goal is to build new pipelines and move ahead with the proposed LNG terminal on Croatia's coast.

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